

Message Text

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SUBJECT: MARKET INFORMATION FOR PROPOSED MUSICAL INSTRUMENTS AND
HIGH FIDELITY EQUIPMENT JEEP

REF: STATE A-8298, NOV. 1, 1974; MILAN 1010

FOR COMMERCE

1. THE POST HAS COMPLETED STUDY OF MARKET INFORMATION FOR SUBJECT
EVENT REQUESTED IN REPAIR. THE STUDY WILL BE SUBMITTED BY AIRGRAM
NLT FEB. 28.

2. DELAY IN COMPLETION OF STUDY DUE TO COLLECTION AND EVALUATION
OF ADDITIONAL DATA RESULTING FROM MILAN TRADE CENTER BSP IN
HIGH FIDELITY EQUIPMENT, JANUARY 23-27, 1975.

3. DUE TO THIS DELAY THE STUDY SUMMARY IS SUBMITTED TELEGRAPHIC-
ALLY AS FOLLOWS: "I. PRODUCT ANALYSIS - ITEMS APPEARING TO HAVE
HIGHEST SALES POTENTIAL IN PROPOSED HIGH FIDELITY EQUIPMENT AND
MUSICAL INSTRUMENTS JEEP ARE STEREOPHONIC AND FOUR-CHANNEL REC-
EIVERS, AMPLIFIERS, TUNERS, SPEAKERS, PHONOGRAPH CARTRIDGES,
MICROPHONES, AND HEADPHONES; ELECTRONIC GUITARS, ORGANS, PIANOS,
AND SYNTHESIZERS; AND AMPLIFIER SYSTEMS AND COMPONENTS FOR MUSICAL
INSTRUMENTS. ITEMS HAVING LESS OR LITTLE SALES POTENTIAL INCLUDE
TURNTABLES, TAPE DECKS, TAPE RECORDERS AND CASSETTE RECORDERS;
AND CONVENTIONAL MUSICAL INSTRUMENTS.

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II. PROFILE OF THE ITALIAN MARKET - THE ITALIAN MARKET CONTAINS

15-20 MANUFACTURERS OF MUSICAL INSTRUMENTS AND 30-35 MANUFACTURERS OF HIGH FIDELITY EQUIPMENT. THERE ARE 10 IMPORTANT IMPORTERS AND DISTRIBUTORS OF MUSICAL INSTRUMENTS AND APPROX. 500 DEALERS; AND 35-40 DISTRIBUTORS OF HIGH FIDELITY EQUIPMENT, WITH APPROX. 800 IMPORTANT DEALERS. 26 IMPORT U.S. BRANDS. MOST DEALERS OF BOTH MUSICAL INSTRUMENTS AND HIGH FIDELITY EQUIPMENT OPERATE SMALL, SPECIALIZED SHOPS. THERE ARE FEW LARGE DEALERS IN ITALY, AND LITTLE PRICE DISCOUNTING AT THE RETAIL LEVEL. RETAIL PRICES FOR U.S.-MADE EQUIPMENT AVERAGE 30-40 0/0 HIGHER THAN U.S. RETAIL, AND 25-30 0/0 ABOVE MOST DOMESTIC AND FOREIGN LINES. ITALIAN END-USERS OF MUSICAL INSTRUMENTS ARE 70 0/0 AMATEUR AND 30 0/0 PROFESSIONAL. THERE IS LITTLE DEMAND BY EITHER GROUP FOR U.S.-MADE CONVENTIONAL INSTRUMENTS, EXCEPT GUITARS, BUT A LARGE DEMAND FOR AMERICAN ELECTRIC AND ELECTRONIC INSTRUMENTS AND AMP-LIFIERS. END-USERS OF HIGH FIDELITY EQUIPMENT INCLUDE APPROX. 40 0/0 OF 16 MILLION HOUSEHOLDS IN ITALY. ABOUT ONE-THIRD OF THESE HOUSEHOLDS HAVE INTEREST AND INCOME TO BUY U.S-MANUFACTURED EQUIPMENT, ESPECIALLY HOUSEHOLDS WITH INCOMES ABOVE L. 6,000,000 (\$9230).

III. MARKET CONDITIONS - THE CURRENT ITALIAN RECESSION HAS NOT DAMPENED HIGH-INCOME CONSUMER'S DEMAND FOR AMERICAN HIGH FIDELITY EQUIPMENT. THE SUCCESS OF THE MILAN TRADE CENTER'S HI-FI BSP, AND ITALIAN IMPORTER'S ESTIMATES INDICATE THAT 1975-1976 WILL BE A PERIOD OF STEADY SALES. THE 50 0/0 IMPORT DEPOSIT IS NO LONGER CONSIDERED TO BE A SIGNIFICANT BARRIER TO U.S. IMPORTS. SIMILAR ESTIMATES OF STEADY DEMAND WERE MADE BY INTERVIEWED IMPORTERS OF AMERICAN ELECTRONIC MUSICAL INSTRUMENTS.

IV. POST RECOMMENDATIONS - ITALIAN DISTRIBUTORS AND IMPORTERS PARTICIPATING IN THE HI-FI BSP STATED THEIR PREFERENCE FOR A MAJOR PROMOTION EVENT IN U.S. HIGH FIDELITY EQUIPMENT DURING JAN.-FEB, 1976. BASED ON THIS, AND THE SUCCESS OF THE BSP, THE POST RECOMMENDS THAT A HIGH FIDELITY EQUIPMENT JEEP SHOULD BE SCHEDULED TO COINCIDE WITH A MULTI-COMPANY BSP IN JANUARY 1976, RATHER THAN DURING THE 1975 SALONE INTERNAZIONALE DELLA MUSICA. JUSTIFICATION FOR THE CHANGE INCLUDES: 1) SMALL PRINCIPAL TARGET AUDIENCE FOR JEEP, 35-40 IMPORTERS, WOULD NOT BE LARGE ENOUGH FOR MTC EVENT WITHOUT ADDITIONAL SUPPORT; 2) A DOUBLE EVENT COULD BE PROMOTED AS ONE, SAVING LABOR AND EXPENSE; 3) PUBLIC EXPOSURE OF JEEP UNCLASSIFIED

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EXHIBITS IN PRESENCE OF PROSPECTIVE AGENTS WOULD BE DESIRABLE ELEMENT OF COMBINED FORMAT; AND 4) JEEP EXHIBITOR CONTACTS WITH TARGET IMPORTERS WOULD PRODUCE BETTER RESULTS DURING MULTI-COMPANY BSP AT WHICH IMPORTERS WOULD BE FELLOW EXHIBITORS THAN DURING SEPARATE MTC JEEP HELD SIMULTANEOUSLY WITH SALONE DELLA MUSICA. THERE IS ALSO DANGER THAT JEEP OF 6-8 PARTICIPANTS WOULD SUFFER IN COMPETITION WITH SHOW OF 165 EXHIBITORS. JEEP EXHIBITORS MUST BE NEW-TO-MARKET, WITH NEW PRODUCTS OF

INTEREST IN A MARKET ALREADY SATURATED WITH MOST U.S. HIGH FIDELITY EQUIPMENT MANUFACTURERS, AND OF SUFFICIENT SIZE TO MEET LARGE EXPORT ORDERS. IF DESIRED BY USDOC, EXHIBITORS OF ELECTRONIC MUSICAL INSTRUMENTS COULD BE INCLUDED IN JEEP, AS TARGET IMPORTERS WOULD BE APPROX. SAME GROUP PARTICIPATING OR INVITED TO BSP.

V. SPECIAL POINTS OF INQUIRY - NO STUDY WAS MADE OF PROFESSIONAL BROADCASTING EQUIPMENT DUE TO THE POST'S BELIEF THAT THIS EQUIPMENT WOULD NOT ATTRACT THE SAME AUDIENCE AS THE PROPOSED JEEP-BSP. A SEPARATE SHOW IN BROADCASTING EQUIPMENT, TELEVISION AND CABLE TRANSMISSION COULD BE FEASIBLE IN THE ITALIAN MARKET IN FUTURE. THERE WERE 46,840 VISITORS AT 8TH SALONE DELLA MUSICA/HIGH FIDELITY 1974, OF WHICH 12,780 (27.3 0/0) WERE ITALIAN BUSINESS VISITORS, 1062 (2.3 0/0) FOREIGN. THERE WERE 165 EXHIBITORS, 29 (17.6 0/0) FOREIGN.

END SUMMARY.FINA

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